

Office of Public and Indian Housing

Special Attention of:
Secretary's Representatives;
State and Area Coordinators;

State and Area Office Directors of Public Housing; Administrators, Offices of Native American Programs; PHAs and IHAs

Administering Section 8 Programs

Notice PIH 97-I (HA)

Issued: January I5, I997 Expires: September 30, 1997

Cross References:

Subject: Processing Section 8 Renewal Funding Increments in Fiscal Year 1997

1. <u>PURPOSE</u>. In September 1996, many of the Section 8 funding increments expiring in fiscal year (FY) 1997 were either extended or renewed using FY 1996 renewal funds. This Notice provides instructions to HUD Field Offices for replacing rental certificate and rental voucher funding increments expiring between January 1997 and September 1997 that were not previously extended or renewed. Therefore, only those FY 1997 funding increments that have not been renewed/extended are affected by this Notice.

These instructions also **do not** apply to renewal of expiring Moderate Rehabilitation funding increments or Housing Assistance Payments Contracts. Instructions for Mod Rehab 1997 renewals are being issued separately.

This Notice supersedes Notice PIH 96-4, issued February 8, 1996. Please review the instructions in this Notice carefully, as the instructions for processing FY 1997 renewals have changed from instructions in Notice 96-4.

- 2. BASIC PRINCIPLES FOR FY 1997. The Department's objective is to ensure continued assistance to housing authorities (HAs) with expiring contracts, and to the owners and families they serve. To achieve this objective, ACC reserves will be used, when available, to extend expiring contracts, or, if ACC reserves are not available, appropriated renewal funds will be assigned to renew expiring increments. Renewal funding and extensions will be for a **one year term** (12 months) in FY 1997.
- 3. <u>DETERMINATION TO EXTEND OR RENEW.</u> Field offices must determine whether to extend or renew each expiring funding increment. The following steps are required to make this determination:
 - A. Identify Expiring Increments: The field office should use HUDCAPS report A75QPA03 (Expiring Contracts Program Based) to identify every expiring increment during the time period January 1, 1997 through September 30, 1997.
 - B. Calculate Renewal Cost: The calculation of contract and budget authority requirements is substantially the same for the rental certificate and rental voucher programs. The Lotus 1-2-3 worksheets have been revised for FY 1997. Separate worksheets will be used

for rental certificate and rental voucher renewals. The revised worksheets are identified by the heading "RENEWAL FUNDING WORKSHEET - REVISED December 1, 1996". The revised worksheets will be sent to all Public Housing Directors and ONAP Administrators via cc:mail when this Notice is signed. Attachment I provides user instructions for the revised worksheet. The revised worksheets are to be used for all renewal calculations for expirations in January 1997 and subsequent months that have not already been renewed/extended.

Renewal funding calculations are based on the FY 1997 FMRs (by unit size), and the average tenant contributions (from the most recently **approved** form HUD 52672). FY 1997 FMRs were published in the <u>Federal Register</u> September 20, 1996. **FMRs must be entered for all unit sizes included in the unit distribution on the HA's Form HUD 52672 from the current fiscal year.**

- C. Determine Current ACC Reserves: The current ACC reserves are defined as the ACC reserves from the approved Voucher for Payment of Annual Contributions and Operating Statement (form HUD-52681), line 31, for the most recently closed HA fiscal year, PLUS the approved budgeted provision for reserves from the current HA fiscal year and any other open HA fiscal years, based on the Estimate of Total Required Annual Contributions (form HUD-52673), line 28. Please note that the budgeted provision for reserves may be either positive or negative depending on whether the HA projected to add to or reduce its ACC reserves.
- D. Determine Available Reserves: Available reserves shall be defined as current ACC reserves (as defined above) minus one half of the annual contributions available for the current HA fiscal year, based on the Estimate of Required Annual Contributions (form HUD-52673), line 13. If the current ACC reserves are less than or equal to one half of the annual contributions available for the current HA fiscal year, then there are no available reserves, and the project must be renewed.

If there are available reserves, the field office must review its records to determine if another expiring increment has previously been extended for the same HA and program in FYs 1995, 1996, or the first quarter of 1997. If so, then the unexpired portion of the restricted ACC reserves must be subtracted from the calculation of available ACC reserves.

The determination of unexpired restricted ACC reserves for an extended increment is similar to determining the amount of ABA for an increment expiring during an HA's FY. The steps are:

- a. Identify the term of the extension: FY 95 extensions had a term of 36 months; FY 96 had a term or 24 months; and FY 97 extensions have a term of 12 months.
- b. The amount of restricted reserves should be prorated by month. The number of months from the FY 1997 expiring increment's expiration date to the expiration date of the previously extended increment(s) is the **unexpired** amount of

ACC reserves that must be subtracted from the available reserves for extensions.

The amount of unexpired reserves is prorated by dividing the restricted ACC reserves for each increment by the term of the extension (in months), and multiplying that monthly amount by the number of months between the FY 1997 expiring increment's expiration date and the extension's expiration date.

For example, in FY 1995, HA X had one expiring certificate increment extended for 36 months, restricting \$256,100 from the HA's ACC reserves. The increment originally expired on August 31, 1995; therefore, it was extended from September 1, 1995 through August 31, 1998.

HA X has another increment which expires on January 31, 1997. The FO calculates the remaining restricted reserves in the following manner:

Original restricted reserves - \$256,100 \$256,100 / 36 (extension term) = \$7,114 per month \$7,114 * 19 (number of months between February 1, 1997 and August 31, 1998) = \$135,166

\$135,166 is the amount of restricted reserves that must be subtracted from HA X's available ACC reserves.

E. Determine Whether to Renew or Extend: If available reserves are greater than or equal to the calculated renewal cost, the expiring funding increment should be extended for an additional one year term. If available reserves are less than the calculated renewal cost, renewal funding should be provided to replace the expiring funding increment.

To assist with this determination, the Lotus 1-2-3 worksheet "Renewal/Extension Funding for Fiscal Year 1997 Certificate and Voucher Expirations", will be provided to Public Housing Directors and ONAP Administrators when this Notice is signed. The worksheet, based on the data entered, will determine which increments should be renewed and which should be extended. Instructions for the worksheet are attached to this Notice.

Field offices that have not renewed/extended all increments expiring in FY 1997 must submit the "Renewal/Extensions Funding for Fiscal Year 1997 Certificates and Voucher Expirations" worksheets, by January 31, 1997, via cc:mail, to Mary C. Conway at PIHPOST.

FY 1997 renewal funding will be assigned to the field offices based on the renewal amounts shown on this worksheet. Therefore, FY 1997 renewal funds will NOT be provided to field offices which have not submitted the worksheet. Further, Public Housing Directors are responsible for ensuring the accuracy of the worksheet. If the Finance Division determines that the Field Office has not correctly reported all FY 1997 renewals/extensions and data is missing on the worksheet, the report will be returned to the field office for

reconciliation. NO FY 1997 RENEWAL FUNDS will be assigned until the worksheet is reconciled.

- F. Multiple Expirations. Some HAs may have multiple funding increments expiring at the same time, or within the same Federal fiscal year. In these cases, the decision to extend or renew should be made on an increment by increment basis. Available reserves may be sufficient to permit the extension of one or more of the expiring funding increments, but not all.
- **G. Multiple FMR Areas:** Some expiring funding increments may cover multiple FMR areas. In such cases, separate worksheets should be prepared for each FMR area, and the resulting budget authority requirements added together.
- H. Cannot Mix Programs: The rental certificate program and the rental voucher program must be analyzed independently. Available reserves in the rental certificate program cannot be used to extend rental voucher funding increments, and vise versa.
- I. No Partial Funding: An expiring funding increment will either be fully extended for a one year, or it will be fully renewed for a one year term.
- J. HUDCAPS Reservation Pricing: Reservation pricing functionality has been developed in HUDCAPS. Do not use the reservation pricing function in HUDCAPS until instructed to do so by Headquarters.
- 4. PROCESSING CONTRACT EXTENSIONS. Expiring increments are extended using the Contract Dates and Terms Change Table (CDTC) in HUDCAPS. Prior to entering the new expiration date on the CDTC table, the user should make a print screen of the ABAT table for the expiring increment. This allows the user to identify the ABA for each year before making the changes in HUDCAPS. It is possible that when extending the expiration date, HUDCAPS will require the user to check the "Cover Disbursements and Place All Undistributed BA in the Last Year" box. If this box is checked HUDCAPS will redistribute ABA for the increment once the change is approved. The user must then go back to the ABAT table and reenter the ABA from the print screen, as it appeared in HUDCAPS before the expiration date was extended.

After printing the ABA table, the new expiration date can be entered in the modified values column. HUDCAPS will recalculate the contract term. **Do not change the funding term.** Changes made on CDTC must be approved on the Contract Dates and Terms Approval Table (CDTA). After the changes are approved, a consolidated Annual Contributions Contract (ACC) with updated funding exhibits must be sent to the HA for execution.

The correct contract authority (CA) for an extended funding increment during the period of the extension is **zero**. No additional funding is provided during the course of the extension; the funding increment is supported by restricted ACC reserves. When a funding increment reaches the end of its funding term, HUDCAPS will print a CA of zero on any funding exhibit that is printed. However, if funding exhibits are printed before the end of the funding term, CA will print with its original value.

Field offices should normally process both renewals and extensions before the expiration date. To avoid possible confusion regarding the CA, the field office should manually change the CA on the funding exhibit to zero, when printing funding exhibits for extensions before the end of the funding term.

HUD Notice 96-68 establishes the Department's policy for the number of units a HA can lease. That Notice states that HAs can only lease the number of units that can be supported by the HA's contract authority. When determining the number of units supportable by the HA's contract authority, the field office should also include the annual amount of restricted reserves. An extended project should not adversely impact the number of units a HA can lease.

by creating and approving a reservation document (RV) in HUDCAPS after an assignment of funds has been received (form HUD 185). This process will also assign a unique funding increment number for the renewal.

The expiring funding increment number must be entered in the Related Funding Increment boxes on the Header tab of the RV document. Ten Related Funding Increment boxes are provided to accommodate multiple expirations being combined into one renewal funding increment. Unit distribution data for the renewal funding increment <u>must</u> be entered on the Line tab of the RV document.

Once the reservation has been approved, additional data must be entered on the Funding Increment Status Line Table (FISL). The Funding Term and Contract Term shall be 12 months; the effective date of term shall be the first day of the month in which the expiring increment expires, if the expiration date falls on a date other than the last day of the month. If the expiration date falls on the last day of the month, the effective date of the renewal shall be the first day of the subsequent month.

The status indicator on FISL must be changed from Reserved to Pending in order for the renewal funding increment to appear on a Funding Exhibit printed from HUDCAPS.

After increments are reserved in HUDCAPS, the field office should compare the amount of budget authority on each funding worksheet with the amount of money reserved in HUDCAPS. Any discrepancies must be resolved before the increment is contracted.

HAs are not required to submit applications (Form HUD-52515) or Section 213 comments for renewal funding. HAs are no longer required to routinely submit budget revisions with each contracted renewal increment. Instead, budget revisions are only necessary if the HA requires more funds than were previously approved in the current budget. Congressional notification is not required for renewals. The ACC must be prepared and executed in accordance with Notice PIH 94-29, issued May 26, 1994.

6. MULTIPLE EXPIRATIONS. If an HA has more than one rental voucher or rental certificate funding increment being renewed in FY 1997, one renewal funding increment may be created for the HA combining renewal rental certificates or renewal rental vouchers. The effective date for the renewal increment will be the first day of the month following the expiration of the earliest expiring increment.

7. <u>ADMINISTRATIVE FEES.</u> For FY 1997, the administrative fee rate for calculating renewal funding requirements is 7.5 percent. The renewal funding worksheet uses the FY 1997 two-bedroom FMR for estimating the funding requirement for the administrative fee.

A Notice detailing the procedures for calculating earned administrative fee will be issued soon.

\$100,000 in budget authority, the HA is required to submit Form HUD-50071, Certification for Contracts, Grants, Loans and Cooperative Agreements, certifying that it has not and will not make any prohibited payment from federally appropriated funds. In addition, the HA is required to submit Standard Form (SF)-LLL, Disclosure of Lobbying Activities, disclosing any payment made, or agreement to make a payment, with other than federally appropriated funds for influencing or attempting to influence executive or legislative branch personnel in connection with renewal funding. These documents must be submitted to HUD with the consolidated ACC.

Form HUD 50071 is not required to be submitted with executed ACCs for contract extensions.

9. <u>UNDISBURSED FUNDING.</u> Undisbursed funds remaining at the expiration of a rental certificate or rental voucher funding increment should only be recaptured if the HA's participation in the program is terminating. Otherwise, if undisbursed budget authority remains on an expired funding increment, it will become ACC reserves when the year end statement is approved in HUDCAPS, and will be available for use by the HA in future years.

Please note that all recapture actions must be approved by Mary Conway in the Finance Division before being processed in HUDCAPS.

Continuity is extremely important to the success of the Section 8 programs. Field offices should work closely with HAs to ensure their continuing participation in the programs. If a HA wishes to terminate its Section 8 programs, the field office should strive to resolve any perceived problems. If these efforts fail, another HA must be identified to assume responsibility for the affected programs. Please notify Madeline Hastings in the Office of Rental Assistance if any such situations develop.

10. CONTACTS: Should your staff need further assistance, they may contact the Finance Division of the Office of Rental Assistance at 202-708-2934.

/s/ Michael B. Janis for
Kevin Emanuel Marchman,
Acting Assistant Secretary for
Public and Indian Housing

INSTRUCTIONS FOR USING THE RENEWAL FUNDING WORKSHEET FOR FY 1997

Following are line by line instructions for using the revised Lotus 1-2-3 worksheet for calculating renewal funding requirements for Section 8 rental certificate and rental voucher funding increments expiring during FY 1997. Only lines 1 - 7 require data entry by the user. All other lines are calculated by the worksheet.

Heading: The worksheet heading includes unnumbered lines for the HA name, and the project number for the renewal funding increment. Users are encouraged to use these lines for identification purposes. These lines do not affect the calculations of the worksheet.

- **Line 1. NUMBER OF UNITS:** Enter the total number of units to be funded by the renewal funding increment. This should be the same number of units that were reserved for the expiring funding increment.
- **Line 2. ADMINISTRATIVE FEE RATE:** An administrative fee rate of 7.5 percent (.075) should be used. This rate has already been entered as a default value.
- **Line 3. Fair Market Rents:** Enter the current Fair Market Rents. Fiscal Year 1997 Fair Market Rents were published in the <u>Federal Register</u> September 20, 1996. Enter Fair Market Rents for all unit sizes for which unit distribution data is entered on line 7.
- **Line 4. Average Tenant Contributions:** Enter the average tenant contributions, by unit size, from the most recent form HUD 52672 submitted by the HA for the Rental Certificate or Rental Voucher program, as appropriate. If the State or area office has concerns regarding the accuracy or age of this data, it may contact the HA to obtain current information.
- **Line 5. Unit Distribution for the Entire Program:** Enter the unit distribution for the HA's entire rental certificate or rental voucher program, as reflected on the most recent HUD-52672.

The worksheet will calculate funding requirements (contract authority and budget authority) for a one-year term.